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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Yvonne Brathwaite Burke, Chair
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FROM: J. Tyler McCauley
Auditor-Controller
David E. Janssen
Chief Administrative Officer

SUBJECT: **RETROACTIVE CONTRACTS – STATUS OF THE
COUNTYWIDE CONTRACT DATABASE**

In January 2003, we informed your Board that the Chief Administrative Officer (CAO) and the Auditor-Controller were in the process of hiring a contractor to create a comprehensive countywide contract database. The purpose of the countywide contract database is to provide County management with an automated system to identify expired contracts, contracts near expiration date, and strengthen contract compliance and monitoring. This memorandum provides information on the progress of the work to date in this area.

The new database, Countywide Contract Management System (CCMS) was implemented on March 15, 2003, and is the first phase of a three-phase project. CCMS was populated using the monthly tracking reports which departments submit to the CAO. CCMS generates a set of reports which are automatically e-mailed to department contract managers monthly. Contract managers are responsible for reviewing these reports and taking necessary steps to prevent retroactive contracts.

A summary report as of April 30, 2003 indicates that a total of 25 County departments and reporting entities under the Board of Supervisor's authority have submitted information relating to 3,141 contracts. The report also shows that 179 contracts have expired and that 1,981 (63%) of the contracts reported will expire in less than 90 days.

We confirmed with most departments that contracts appeared on the expired report due to a variety of reasons, including data entry errors in identifying contract expiration dates, expired contracts where services have ended and contracts are not being renewed, and new renewal options (not requiring Board approval) were exercised but not updated on the department's spreadsheets. As a result, it does not appear that any of the expired contracts are in retroactive status. Continued timely and close monitoring of the information generated by CCMS will assist department management in planning ahead to prevent retroactive contracts.

It should be noted that while most departments submit contract information as requested, a few departments do not consistently or timely provide the information. The total number of contracts on the summary report as of the end of April 2003 is only 3,141 when in fact it should be over 5,000 contracts. However, one large department was unable to submit the information to the CAO in the required format and the other departments did not submit contract information at all.

We have notified County departments on numerous occasions of the need to update the contract database by providing accurate and timely information to their CAO analysts. We have discussed the countywide contract database with County Contract Managers, Administrative Deputies and at Department Head meetings. For the countywide contract database to be useful as a monitoring tool and prevent retroactive contracts, all departments must provide accurate and timely contract information.

We are currently working on the second phase of the countywide contract database project, which will allow departments to update the contract database on-line via the County Intranet. The Internal Services Department (ISD) is assisting us in the implementation of this phase. Upon successful implementation of the second phase, departments will be able to utilize the various tools available in the new contract system to create ad hoc reports to further enhance their monitoring efforts.

Additional enhancements are planned to provide an interface with the County's accounting system, CAPS, to validate that contract expenditures do not exceed contract maximum amounts.

As reported previously, it is not possible to absolutely prevent payments on expired contracts if departments violate contract and purchasing policy and procedures. In addition, the quality of the information to be maintained in the new database will depend on the quality of the data provided by departments.

c: Department Heads